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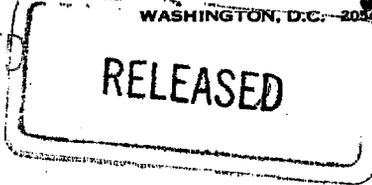
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

RELEASED



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1 Dear Mr. Chairman:

2 On November 29, 1971, your staff and a representative of Congressman Robert L. Leggett's office discussed with us your concern over the cancellation by Sacramento Air Materiel Area of its invitation for bids for replacement of air-conditioner filters at McClellan Air Force Base, California. The contract was to cover fiscal year 1972.

2 This procurement was a 100-percent small business set-aside, but the lowest bidder was found to be a large business. The invitation for bids was canceled because other bids were considered unreasonable. Air Materiel officials informed Congressman Leggett that their comparison of the bid by the second-lowest bidder, California Air Filter Service, with the prices for identical items included in the prior contract covering fiscal years 1970 and 1971 showed that California Air's bid was 60 percent higher. We were requested to review the validity of this determination.

Subsequent to their initial report, Air Materiel officials discovered that the 60-percent reported difference between California Air's bid and the prior contract's price was in error because one item used in the comparison was not comparable. Item 46 in the fiscal year 1972 bid package called for six changes of filters rather than for one change as had been provided for in the previous contract solicitation. In their comparison Air Materiel officials used California Air's bid of \$17,496 for the six changes and the prior price of \$3,240 for one change. Since this was by far the most expensive line item considered by Air Materiel officials, the results of the comparison were distorted.

The fiscal year 1972 solicitation listed 116 line items consisting of 77 items included in the prior solicitation, 21 others added during the life of the contract, 14 additional line items calling for filters identical to filters purchased under the prior contract, and four new line items not acquired under the prior contract. In making their price comparison, Air Materiel officials compared only the prices bid by California Air for the 77 line items included in the solicitation for the previous contract.

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We believe that a more valid comparison could have been obtained by comparing the prices of all items in the new solicitation with the prices of all comparable items included in the prior contract.

Air Force officials pointed out that, aside from the difference in the number of changes for item 46, the recommended filter in the 1972 solicitation differed from that previously bought to such an extent that they were not comparable. In addition, we found that specifications for items 70 and 72 differed from specifications of items previously bought. Also, Air Force officials found some computation errors in California Air's bid prices and we found a discrepancy in the amount for item 50, as discussed below. After adjustments for these items, together with deletion of the four new line items, California Air's bid amounted to \$35,096, or 105 percent of the prior contract price for the 109 remaining comparable items, as follows:

	Fiscal years 1970 and 1971 contract <u>price</u>	<u>California Air bid</u> Fiscal year 1972 <u>amount</u>	<u>Percent of</u> fiscal years 1970 and 1971 <u>price</u>
Air Force comparison of 77 items	\$30,095	\$48,263	160.4
Additional 35 items	9,678	9,005	-
Errors found by Air Materiel	-	1,127	-
Adjustment for deletion of items 46, 70, and 72	<u>-6,390</u>	<u>-22,636</u>	-
	33,383	35,759	107.1
Adjustment for item 50	<u>-</u>	<u>-663</u>	-
Total for 109 items	<u>\$33,383</u>	<u>\$35,096</u>	105.1

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Air Materiel procurement officials agreed with the adjustments we made for all items except item 50. They agreed that California Air's bid for item 50--which was 460 percent of the previous price--represented its price for 16 filters rather than the four required by the line item; however, they felt that no adjustment should be made because the higher price probably would have been paid had California Air received the award. This discrepancy resulted from a lack of clarity in the format of the schedule of items used in the solicitation. The officials said that a modification would be issued to avoid this problem in future bidding. We believe that adjustment for item 50 is appropriate in comparing California Air's bid with the previous contract price.

No other distribution of this report is being made. If we can further assist you in this matter, please let us know.

Sincerely yours,

[Deputy



Comptroller General
of the United States

The Honorable James C. Corman, Chairman
Subcommittee on Government Procurement
Select Committee on Small Business
House of Representatives

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